



320 STEPHENS HALL  
UNIVERSITY OF CALIFORNIA

June 12, 2010

CHRISTOPHER KUTZ  
Chair, Berkeley Division of the Academic Senate

FIONA DOYLE  
Vice Chair, Berkeley Division of the Academic Senate

Dear Chris and Fiona,

I enclose the Interim Report from the Academic Senate Task Force on Intercollegiate Athletics (TFIA). This interim report is a slight extension of the oral report we made to the Division on April 22 and at the special meeting on April 27. We have benefited from the questions and discussion at the April 27 meeting.

A final report, which will contain a fuller discussion and more background information and which will flesh out the rationale for our recommendations is in preparation. We expect to be able to submit it to you prior to the beginning of the Fall semester. The current document could serve as an Executive Summary for our final report.

Sincerely,

Calvin C. Moore  
Chair, TFIA

cc: TFIA members  
Executive Director Green Rush

INTERIM REPORT  
OF THE BERKELEY DIVISION OF THE ACADEMIC SENATE  
TASK FORCE ON INTERCOLLEGIATE ATHLETICS  
June 12, 2010

The performance of the Department of Intercollegiate Athletics (DIA) as it seeks its goal of excellence should be judged according to the following three requirements:

- Athletic excellence—The teams must be encouraged and enabled to compete at the top level across the board.
- Academic excellence and integrity—There must be commitment to and accountability for the integrity of the student athletes' academic programs and to their academic achievement as measured by GPA and graduation rates.
- Financial integrity—Expenditures and resources must be matched, and budgets must be met. Financial controls must be in place and financial accountability enforced. Increasing philanthropy to DIA in a way that complements academic development efforts is also an important priority.

In the view of the Task Force, DIA has done well with respect to the first of these requirements, which reflects the goal of comprehensive excellence as articulated in the 1991 Smelser Report. DIA has also done well, we agree, with respect to the second requirement. However, the Task Force concludes that DIA has failed to meet the third requirement for excellence. There has been a long history of failure to match expenditures and resources, of budgets being overrun, and of a lack of financial controls and accountability. One might say that a culture representative of these failings has developed over time, a culture that the current Athletic Director (AD) has inherited but has not yet been able to change.

We judge the most serious problem to be the lack of control over expenses.

Increasing philanthropy to DIA is also an important priority, and will be needed in order to begin to set DIA on a path to financial sustainability.

The Task Force, therefore, makes the following recommendations:

1. We recommend that the AD and the DIA's Chief Financial Officer (CFO) gain control over and limit expenses. The AD and CFO must establish firm budgets, reporting protocols, and accountability for those who administer and are subject to these budgets. In short, a change in the culture of DIA is desperately needed. The Task Force is encouraged by steps already taken, including the appointment of a new CFO and by the introduction of new financial management tools; however, we are concerned that no financial plans have yet been proposed by DIA.

2. We recommend that athletic teams be assigned explicit budgets at the AD's discretion, and that contracts for coaches mandate financial accountability and fiscal responsibility in clear, unambiguous language. We recommend that contracts for senior DIA management and all coaches contain incentives for meeting assigned budgets and sanctions for overrunning those budgets.

3. We recommend that fundraising be considered an essential part of the job of coaches, and that coaches formally be assigned fundraising responsibilities, just as academic deans and department chairs have such responsibilities. The coaches should be provided with support in this area from DIA's professional development staff. Appropriate incentives should be put in place for those coaches who do exceptionally well in fundraising, and appropriate sanctions or penalties should be enforced for those who fail to perform adequately in this arena.

4. We recommend that contracts for senior managers, coaches, and assistant coaches be submitted to the Executive Committee of the University Athletic Board (UAB) for review, comment, and consent prior to being finalized. This review is meant to signal that the UAB is concerned with accountability and transparency in DIA.

5. We recommend that the long-term goal of the campus should be to reduce to zero the yearly funding it provides to DIA, a quantity that our Task Force calls the "delta."

In discussing the financial details of DIA, we have focused on the difference between its expenditures and its earned income during a given year, which for us means excluding any campus subsidies from that year's income. We identify this number as the year's "delta." The delta represents the difference between DIA's expenses and income; to put it another way, the delta is the amount of money from all sources that the campus uses to subsidize DIA each year. We use this terminology because there has been considerable confusion and opacity on this point both on campus and beyond.

When the Senate first exercised its responsibilities for shared governance concerning the financial state of DIA in 2005, the delta was in excess of \$13M. Shortly thereafter, the Senate recommended that the delta be placed on a downward "glide path" that would reduce the delta to under \$5M by FY 2012 and to zero by FY 2017. The delta adhered to the prescribed glide path through FY 2008, but veered wildly from that path in FY 2009, rising back up to well over \$13M in that year. The Task Force views the failure of DIA to adhere to the glide path as resulting from inadequate financial management, including the failure to recognize until very late in the fiscal year that there were significant unfavorable variances in revenue and expenses, by which time it was too late to take corrective steps.

6. We recommend that, in the short term, the delta be reduced to \$5M or less. The majority of the Task Force (5 out of 8 members) finds \$5M to be a tolerable temporary level of subsidy from the campus to DIA. This majority recommends that the campus replace the old glide path with a new "step-down" trajectory for the delta, progressively

reducing it by explicitly designated quantities (or “stair steps,” if you will) to \$5M or less by FY 2014.

A minority of the Task Force (2 out of 8 members) recommends that the subsidy be limited to no more than \$3M, and that a step-down should be instituted that arrives at that lower limit over the same period of time, i.e., by FY 2014.

One member of the Task Force recommends that campus support should much more immediately be brought to zero, given that other departments and units on campus (that were not running deficits) were not given a step-down strategy to the severe budget cutbacks in July 2009.

The Task Force unanimously agreed that the delta should ultimately be reduced to zero (see Recommendation #5), but we did not determine how many years beyond 2014 it should take to reach that target.

7. We recommend that the campus and DIA use all available means to achieve this step-down. The financial strategies should include many or all of the following: significant staff reductions in DIA, streamlining of back-office operations, increased media revenues, increased revenues from ticket surcharges, increased philanthropy, and, if necessary, reduction in the number of teams. We recommend, as well, that the Operational Excellence project be extended to encompass DIA.

8. We recommend that any decisions regarding changes in the IA program take into account the impact on campus fundraising more generally. In two meetings with the Task Force, Vice Chancellor for University Relations Scott Bidy has emphasized his view that a major reduction in the number of teams or the degree of athletic excellence and success expected of them could put at risk \$25M annually in donations to the academic enterprise, which amounts to almost 10% of the total of such contributions. He suggested that less substantial reductions in IA could result in smaller but still meaningful decreases in donations to the campus as a whole. As well, several faculty colleagues have mentioned to us the importance and significance of athletics in their own fundraising activities.

We have reviewed the scholarly literature on possible connections between athletic success and donations to the academic enterprise of colleges and universities. The conclusions in general are mixed and of marginal relevance to IA and fundraising here at UC Berkeley. They do not address the effect on donations of a major scope and/or mission reduction in IA, nor the effect on the small number of donors- five percent of the total who account for 95% of the dollar value of donations, nor do they adequately take into account the special nature of UC Berkeley as a premier research university with high expectations for its intercollegiate athletic program, and which averages approximately \$250 M in academic donations annually. Given the mixed nature of the scholarly research and its marginal relevance to UC Berkeley, we recommend that the campus commission a study of the relationship between athletics and academic fund raising that is specific to the UC Berkeley environment. Such a study might possibly be a part of a more comprehensive study of donor attitudes and motivations for giving.

We should also note here that, in addition to its impact on fundraising, IA provides other values to the campus—it adds to campus spirit and unity, provides free advertising for the campus, helps in branding, and provides a link and outreach to alumni.

9. We recommend that the campus carefully monitor the financial aspects of constructing the Student Athlete High Performance Center (SAHPC) and renovating California Memorial Stadium (CMS). Because DIA income streams have been pledged as the fund source to service the bonds that have been issued for carrying out these two major projects, the outcome of this funding strategy may have an impact on the operating budget of DIA, and hence falls within the charge to our Task Force.

We have performed a probabilistic risk analysis using various financial assumptions about the degree of fundraising success in the Endowment Seating Program, and the rate of return on investments over the next 30-year period. Under most circumstances, the strategy is predicted to succeed and would leave DIA with a substantial endowment to support operations when the bonds are paid off in 2042-43. Averaging the predicted value of this endowment over the range of assumed rate of return on investment and fundraising success yields an amount in the hundreds of millions of (2043) dollars. Yet there is a chance, which we calculate at less than 10%, that there will be deficit at the end of the process in 2042-43, a deficit that DIA or ultimately the campus will have to clear. The results of our financial risk analysis are generally consistent with the results of the financial risk analyses that the campus has performed. Careful monitoring by the campus over the next 30 years may help to prevent financial shortfalls. We note that once these facilities come on line, there will be added expenses in the DIA budget needed for operating and maintaining them.

We recommend that, if a substantial endowment is generated by 2043, some of these funds be used to repay the loans that the campus has made to DIA over the years.

It is well known that a major seismic event on the Hayward Fault could render the stadium unusable for a period of time with a corresponding loss of revenue. Because no probability has been assigned to the potential loss of use and revenue, this risk was not included in our analysis, nor, as far as we know, in the risk analysis done by the campus. We recommend that the campus analyze and quantify this risk, and perhaps consider purchasing insurance to cover the loss of income needed to service the bonded indebtedness and the cost of repairs that might be needed as a result from such a seismic event.

10. We recommend that the AD intensify her efforts with the Pac Ten to put in place regulations that would reduce the current “arms race” among Division IA schools that is driving unreasonable increases in expenditures. We further recommend that the Chancellor take the lead in pushing for such regulations in the NCAA to tamp down the arms race on a national basis. The Chancellor should make use of his own prestige and the prestige of UC Berkeley in this effort. We note that, in conversation with the Task

Force, UCOP Executive Vice President for Business Operations Nathan Brostrom voiced strong support for such efforts and offered to be of assistance in them.

11. We recommend that current collaborations between the campus development office and DIA fundraising be maintained and further developed. As part of the Task Force's charge, we were asked to advise on a long-range strategy for integrating athletics-directed forms of philanthropy with those targeted to the academic mission. Our investigations of fundraising strategies and operations lead us to believe that the interface between athletic-directed and academic-directed philanthropy is currently managed well. There is no evidence, for example, that the development program has ever directed would-be academic donors to athletic programs, as some have feared. In fact, it may be advisable for the DIA, with support and coordination from campus development, to pursue a program of athletics-directed philanthropy more aggressively to help reduce their reliance on a yearly subsidy and adhere to the step-down trajectory toward a delta of zero. We accept the view of VC Bidy that donors to academic and athletic philanthropy have distinct and non-overlapping motivations, and hence we assume that further development of athletic philanthropy will not have adverse effects upon other campus development efforts.

12. We recommend that the Senate continue to exercise its shared governance responsibilities with respect to DIA budget matters through the formation of a special subcommittee of the Committee on Academic Planning and Resource Allocation consisting of three or four faculty members appointed by the Committee on Committees who should serve extended terms. We recommend that this subcommittee file annual reports to the Divisional Council. Further, we recommend that this subcommittee membership overlap with the group of Senate members appointed to the UAB budget committee. Finally, we recommend that this Task Force be discharged after filing its final report.